

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REVIEW, 2013

Docket No. ACR2013

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 1, 5-6, 8-11 OF CHAIRMAN'S INFORMATION REQUEST NO. 15

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 15, issued on March 13, 2014. Each question is stated verbatim and followed by the response. Responses to other questions are still being prepared.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing & Product Support

Eric P. Koetting

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1137
(202) 277-6333
March 21, 2014

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 15

1. Page 67 of the United States Postal Service 2013 Annual Report to Congress lists in the "Strategies" column of its FY2013 strategic initiatives table: "Improve customer experience measurement processes." Please discuss the measurement process improvements that were made in FY 2013.

RESPONSE:

Through FY 2013, the Postal Service worked to redesign the customer satisfaction program and metrics as described in response to ChIR 12, Question 6.

The Postal Service intends to implement this approach for FY 2014.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 15

5. Please provide the FY 2014 targets for each of the Cross-Portfolio Key Performance Metrics provided in Response to CHIR No. 10 question 6.

RESPONSE:

Cross-Portfolio Key Performance Metrics for FY 2014		
Metric	Description	Planned
1	Total Drive Revenue (\$)	\$5,400,000,000
2	Total Drive Cost Savings (\$)	\$1,530,252,539
3	Total Work Hours Reduced (Hours)	24,000,000
4	Total Headcount Reduction (FTEs)	67,000
5	Total Square Feet Reduced (Sq Ft)	2,200,000
6	Commercial Mail in Full Service (%)	97.0%
7	IMb Adoption Rate (%)	97.00%
8	Package Scanning (%)	96.5%

Note: Some of these targets may change due to legislative activity.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 15

6. Please refer to the "Support for cross-agency goals" chart on page 39 of the 2013 Annual Report. How do the cross-agency goals relate to the Postal Service's performance goals and FY 2013 strategic initiatives?

RESPONSE:

The cross-agency goals do not relate directly to the Postal Service's performance goals or strategic initiatives. As explained in the FY 2012 Annual Compliance Report docket:

[I]n addition to providing the information required by 39 U.S.C. §§ 2803 and 2804, namely the Annual Performance Report and Annual Performance Plan, the Comprehensive Statement is also intended to "provide stakeholders with information on how Postal initiatives and programs are setting the stage for future improvements." The Postal Service has designed the Comprehensive Statement to satisfy the relevant statutory requirements, as well as to assist a broader stakeholder audience in evaluating the performance of the Postal Service.

Reply Comments of the United States Postal Service, Docket No. ACR 2012 (Feb. 15, 2013) at 18-19. The inclusion of the cross-agency goals is an example of information included in the Comprehensive Statement outside of the section 2803 and 2804 requirements. As further explained on page 38 of the 2013 Annual Report to Congress:

Although the Postal Service is excluded from the Government Performance and Results Modernization Act of 2010, we do support Cross-Agency Goals (government-wide goals) and strive to provide services that help other agencies meet their individual goals and objectives. This support is demonstrated in the table, Support for cross agency goals, on page 39.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 15

8. For each performance goal (Service, Customer Experience, Financial Results, and Workplace Environment), please:

(a) “[B]riefly describe the operational processes, skills and technology, and the human, capital, information, or other resources required to meet the performance goals;” and

(b) “[D]escribe the means to be used to verify and validate measured values.”¹

¹ See 39 U.S.C. § 2803(a)(3) and (6).

RESPONSE:

(a)-(b) The Postal Service provided brief descriptions of the status of the identified performance goals, including “the operational processes, skills and technology, and the human, capital, information, or other resources required to meet the performance goals” and “the means to be used to verify and validate measured values” on pages 37-42 of the FY2013 Annual Performance Report and FY2014 Performance Plan. Further information is available in the Comprehensive Statement provided at pages 45-74 of the Postal Service’s 2013 Annual Report to Congress.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 15

9. Please describe "the summary findings of those program evaluations completed during" FY 2013. See 39 U.S.C. § 2804(d)(4). "Program evaluation" means "an assessment, through objective measurement and systematic analysis, of the manner and extent to which Postal Service programs achieve intended objectives." *Id.* § 2801(6).

RESPONSE:

The Corporate goals, measures, results and targets chart on page 39 of the FY 2013 Annual Performance Report and FY 2014 Performance Plan provides the program evaluation measures and metrics. Additional program evaluation analysis is provided throughout the document.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 15

10. Although the FY 2013 Annual Report alludes to possible reasons why the Single-Piece First Class Mail Overnight and Three-to five-day service performance measures did not meet FY 2013 targets (See page 40 discussion related to network changes, reduction/realignment of work hours), no specific strategy is presented in this document as to the Postal Service's FY 2014 plan for achieving the targets. However, in USPS-FY13-29, in the 'Service PerformanceACRFY13.pdf' file in the "Reasons for Service Targets Not Being Met and Mitigation Plans" section on page 8, the Postal Service states: "continued use of root cause diagnostic tools will allow operating managers to improve processing and transportation flows, thereby increasing service performance." Please provide more specific information related to the mitigation plan items below.

- (a) Processing and transportation flow areas in need of improvement.
- (b) The diagnostic tools used.
- (c) The plan and schedule for achieving the FY 2014 targets.
- (d) The type of information produced by the diagnostic tools and any examples of their continued use to improve service performance.

RESPONSE:

- (a)) The Postal Service is focused on improving scheduling and staffing to optimize resources to workload. Another relevant initiative is Load Leveling. Better leveling the volumes across the days of the week will improve consistency of delivery and service. Note that while the focus of Load Leveling is Standard Mail, the intent is to benefit First-Class Mail flows as well, by improving clearance times for all products. Additionally, the Transportation function analyzes root cause transit failures to make network adjustments implemented as a result of supplier performance.
- (b) Root Cause diagnostics for SPFC Overnight Mail consist of analyzing Last-Mile failures, Non-Standard Depth of Sortation, Collection Delays, Non-Standard Origin Processing and AADC/ADC Processing Delays.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 15

(c) The plan is to apply Lean Mail Processing principles to improve efficiency, reduce cycle time and eliminate waste. The Chief Operating Officer conducts monthly Area service review with Area executives which include all service products. Areas provide strategies for service improvements.

(d) Diagnostic tools are used to identify where within the chain of operational steps the shortfall likely occurred which caused a mailpiece to miss the expected day of delivery. An example of their use is to then further identify any concentrations of piece which are designated with a particular failure indicator to highlight the likely places where more attention needs to be focused to improve performance. The various failure indicator designations assigned by the diagnostics for SPFC, and the criteria by which they are assigned, include:

1. Last-Mile Failure – A failed letter/card that receives the correct, final scan at the destination plant before 10AM on the expected day of delivery, does not receive a first DPS pass only, does not experience DPS looping, and has the appropriate depth of sort given its destination, or a failed flat shows final scan at the destination plant occurs before 5AM on the expected day of delivery. Miscode/Misread at destination should preclude the assignment of a Last Mile Failure.
2. Non-Standard Depth of Sortation – A mailpiece that does not have the appropriate depth of sort given its destination ZIP5 in ZIPS.DAT and FZIPS.DAT files. Miscode/Misread at destination should preclude the assignment of this failure indicator.
3. Collection Delays – A mailpiece that belongs to an EXFC zero bundle. ZER bundles indicate there was a delay in retrieving mail from a collection box or in the handoff to the plant. A Collection Delay failure indicator supersedes all other failure indicators if no subsequent cycle time checkpoints are met.
4. Non-Standard Origin Processing – A mailpiece that receives multiple outgoing primary sorts (overnight and two day mail only) receives outgoing secondary sort (overnight), or receives a first scan which is not outgoing primary. Any mailpiece that does not receive any origin processing is also included. AFCS processing does not count as a read.
5. AADC/ADC Processing Delays – A letter/card that receives a scan at the expected AADC plant after 12:00AM on the expected day of delivery. For flats, a

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 15

piece that receives a scan at the expected ADC plant after 12:00AM on the expected day of delivery.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 15

11. The 2012 ACD directed that “[f]uture Annual Performance Reports and Plans should provide explanations for any deletions.” 2012 ACD at 46. In FY 2013, the Postal Service does not list Corporate Responsibility as a performance goal. *Compare* FY 2012 Comprehensive Statement on Postal Operations at 33 *with* 2013 Annual Report at 38. Please explain why the Corporate Responsibility performance goal was removed.

RESPONSE:

While the term “Corporate Responsibility” is introduced and referenced as a corporate goal in the 2012 Comprehensive Statement on page 33, it was never intended to be viewed as a new performance goal to be included alongside the other categories that have been reported upon for years (Service, Customer Experience, Financial Results, and Workplace Environment). This is further evidenced by the fact that “Corporate Responsibility” was not included in the chart on page 34 of the 2012 Comprehensive Statement which contained the Organization-Wide Goals, Measures, Results, and Targets for the performance goals of Service, Customer Experience, Financial Results, and Workplace Environment.

To avoid confusion, the Corporate Responsibility discussion is provided in the FY2013 Comprehensive Statement on Postal Operations at pages 69-73 of the 2013 Annual Report to Congress, and it is not discussed as part of the FY2013 Performance Report and FY2014 Performance Plan.